

EXAMPLE #1

Form **706**

2003 pro forma federal Form 706 for an estate of \$1,500,000

3	Taxable estate (subtract line 2 from line 1)	3	1,500,000	00
4	Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts that are includible in decedent's gross estate (section 2001(b)))	4		
5	Add lines 3 and 4	5	1,500,000	00
6	Tentative tax on the amount on line 5 from Table A on page 4 of the instructions	6	555,800	00
7	Total gift tax payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes by the decedent's spouse for such spouse's share of split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate (see instructions) ...	7		
8	Gross estate tax (subtract line 7 from line 6)	8	555,800	00
9	Maximum unified credit (applicable credit amount) against estate tax	9	229,800	00
10	Adjustment to unified credit (applicable credit amount). (This adjustment may not exceed \$6,000. See page 5 of the instructions)	10		
11	Allowable unified credit (applicable credit amount) (subtract line 10 from line 9)	11	229,800	00
12	Subtract line 11 from line 8 (but do not enter less than zero)	12	326,000	00
13	Credit for state death taxes (cannot exceed line 12). Attach credit evidence (see instructions. Figure the credit by using the amount on line 3 less \$60,000. See Table B in the instructions. Enter amount here from Table B ▶ <u>64,400.00</u> x .50	13	64,400	00

In this example, the federal taxable estate for 2003 is assessed at \$1,500,000. On the above pro forma federal Form 706, the ordinary unified credit amount entered on line 9 (\$345,800) is replaced by the the unified credit for 2003 as was in effect at the end of December, 2000 (\$229,800). This lower unified credit amount results in a larger amount on line 12. Line 12 represents the upper limit for the state death tax credit on line 13. The amount calculated on line 13 is the full amount from Table B, with no 50% reduction, provided it does not exceed the recalculated amount on line 12. The amount on this pro forma Form 706, line 13 is the amount entered on Maine Form 706ME, line 5 (adjusted credit for state death taxes).

EXAMPLE #2

2003 pro forma federal Form 706 for an estate of \$800,000

Form **706**

3 Taxable estate (subtract line 2 from line 1)	3	800,000	00
4 Adjusted taxable gifts (total taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts that are includible in decedent's gross estate (section 2001(b)))	4		
5 Add lines 3 and 4	5	800,000	00
6 Tentative tax on the amount on line 5 from Table A on page 4 of the instructions	6	267,800	00
7 Total gift tax payable with respect to gifts made by the decedent after December 31, 1976. Include gift taxes by the decedent's spouse for such spouse's share of split gifts (section 2513) only if the decedent was the donor of these gifts and they are includible in the decedent's gross estate (see instructions) ...	7		
8 Gross estate tax (subtract line 7 from line 6)	8	267,800	00
9 Maximum unified credit (applicable credit amount) against estate tax	9	229,800	00
10 Adjustment to unified credit (applicable credit amount). (This adjustment may not exceed \$6,000. See page 5 of the instructions)	10		
11 Allowable unified credit (applicable credit amount) (subtract line 10 from line 9)	11	229,800	00
12 Subtract line 11 from line 8 (but do not enter less than zero)	12	38,000	00
13 Credit for state death taxes (cannot exceed line 12). Attach credit evidence (see instructions. Figure the credit by using the amount on line 3 less \$60,000. See Table B in the instructions. Enter amount here from Table B ▶ <u>22,800.00</u> x .50 ▶	13	22,800	00

In this example, the federal taxable estate for 2003 is assessed at \$800,000. Since this amount is less than the \$1,000,000 applicable exclusion, the estate would not be taxable at the federal level. However, since the estate is worth more than the 2003 applicable exclusion that was in effect at the end of 2000 (\$700,000), this estate is taxable for Maine purposes, so a pro forma federal Form 706 must be completed.

On the above pro forma federal Form 706, the ordinary unified credit amount entered on line 9 (\$345,800) is replaced by the the unified credit for 2003 as was in effect at the end of December, 2000 (\$229,800). This lower unified credit amount results in an amount on line 12 that is larger than zero. Line 12 represents the upper limit for the state death tax credit on line 13. The amount calculated on line 13 is the full amount from Table B, with no 50% reduction, provided it does not exceed the recalculated amount on line 12. The amount on this pro forma Form 706, line 13 is the amount entered on Maine Form 706ME, line 5 (adjusted credit for state death taxes).